

Massachusetts Electric

A **National Grid** Company



Amy G. Rabinowitz
Counsel

January 4, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. 01-54 (Phase II)

Dear Secretary Cottrell

On behalf of Massachusetts Electric Company and Nantucket Electric Company, I am enclosing initial comments in the above-captioned proceeding.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Service list

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**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Competitive Markets Initiatives

D.T.E. 01-54

**INITIAL COMMENTS OF
MASSACHUSETTS ELECTRIC COMPANY AND NANTUCKET ELECTIC
COMPANY ON PHASE II ISSUES**

INTRODUCTION

The Department of Telecommunications and Energy (“Department”) opened this investigation in June 2001 “into competitive market initiatives with the intent to minimize or eliminate any barriers to competitive choice.” D. E. 01-54, at 1-2 (2001). The Department directed distribution companies to take certain steps to foster competition in retail supply, including the provision of default service customer lists to competitive suppliers. *Id.* at 6. In the ensuing months, the Department took additional steps to encourage the growth of the competitive market in Massachusetts, including the expansion of the scope of the customer lists. In addition, the Department addressed issues of customer privacy with the creation of an “opt-out” program whereby customers could remove their name and information from a customer list.

Most recently, the Department held a technical conference on November 14, 2001 to address other remaining issues, and subsequently sought written comment on many of these issues. Massachusetts Electric Company and Nantucket Electric Company (collectively “Company” or “Mass. Electric”) applaud the Department’s efforts to

encourage the growth of the competitive market for electricity supply in Massachusetts and appreciate the opportunity to provide these comments.

II. PHASE II ISSUES

- A. Should electric distribution companies perform the role of electricity brokers for their default service customers? If so, please discuss the implementation of a specific proposal, for example:**
- 1. Should electric distribution companies participate in Internet-based auction processes to assist the movement of their default service customers to competitive suppliers?**
 - 2. Should electric distribution companies obtain direct authorizations (e.g., via telephone or return post card) to switch default service customers to competitive suppliers?**
 - 3. Should distribution companies assign default service customers to competitive suppliers?**

In general, the Company believes that electric distribution companies should not be required to perform the role of electricity broker for their default service customers.

More specifically, the Company believes that the Department should not require electric distribution companies to participate in Internet-based auction processes to aid their default service customers in moving to competitive suppliers. The Company already promotes two brokers, American PowerNet and Usource, through its New Choices program. Under New Choices, the Company uses its existing communications channels to provide customers with a list of suppliers and brokers that have agreed to respond to requests for competitive supply offers for their rate classes. These existing communications channels include bill inserts and website promotions (see <http://www.masselectric.com/cust/bus/newchoices/index.htm>).

An Internet-based reverse auction is one method that customers may use to procure their competitive power supply, but its use is best left to the discretion of customers. There are many Internet-based auction options, and from the Company's experience, some require a fee to be paid by the Company to the vendor to run or require complex and costly changes to the Company's computer systems. These factors would hinder efforts to provide the customer savings over default service. Furthermore, Mass. Electric believes that it would be inappropriate for the Department to require the distribution companies to use a particular Internet auction vendor. These providers should promote and sell their services on a competitive basis, not because of a regulatory mandate to distribution companies.

On the other hand, all parties will benefit from electric distribution companies aiding customers and/or other market parties in the identification of and information exchange relating to competitive supply alternatives. This assistance could include, for example, advisory services or help in participating in Internet-based auctions. The Department should leave the distribution companies flexibility in determining the most effective way to assist their default service customers.

The Company also believes that the Department should not require electric distribution companies to obtain direct authorizations (e.g., via telephone or return post card) to switch default service customers to competitive suppliers at this time. There are several important issues that would need to be addressed before distribution companies could obtain direct authorizations. For example, the development of a sustainable, competitive market requires the suppliers and customers to communicate terms to each other and reach agreement on a specific offer that will derive savings and promote a

positive customer interaction. With direct authorization, the distribution companies need a way to validate that the supplier and customer agreed on price and terms of service without contacting the supplier. Therefore, requiring the Distribution Company to obtain direct authorization to switch electric service will add an additional layer of complexity to the enrollment process. In addition, the Company would have to make changes to its customer information system (CIS) to accommodate this type of manual data entry and then it would have to manually enter each customer's chosen competitive supplier into CIS. This change would dramatically shift the burden of data entry and record maintenance from competitive suppliers to the electric distribution companies. Over the last four years, significant systems and processes have been developed for suppliers to notify the distribution company through electronic means of a customer switch. These automated processes have been designed to accommodate a large number of simultaneous switch requests. Detailed procedures have also been developed and implemented by competitive suppliers to protect customers from "slamming". Thus, while the Company recommends that the Department not require this data entry change, the Company does believe that it merits further, careful consideration, perhaps by the Electronic Business Transactions ("EBT") Working Group, a group comprised of a wide variety of interested stakeholders.

Finally, the Company does not believe that electric distribution companies should assign default service customers to competitive suppliers at this time. A large scale assignment like this should only be carefully considered in the broader context of how such an assignment would work, what its objectives are, what consumer protections would be provided, and what have been the results of similar undertakings elsewhere.

The Company does not recommend ruling out this option, however, and believes that it merits further consideration.

B. Customer Enrollment:

- 1 Should customer account numbers be included on the Customer Information Lists? If so, please address how consumer protections against unauthorized enrollments can be maintained if account numbers are included on the Customer Information Lists.**
- 2. Should the first four characters of a customer's account name continue to be required for a successful enrollment of the customer? If so, please address how consumer protections against unauthorized enrollments can be maintained. Should this requirement differ among customer classes?**

The Company recommends that customer account numbers not be included on the customer information lists. Providing this information will harm both customers and distribution companies.

The Company's focus groups with residential and small business customers and individual interviews with large business customers indicate that customers believe that all of their information, except for their names and addresses, is proprietary, and they do not want it released without their specific authorization. The provision of this information will increase the potential for an unscrupulous supplier to gain confidential information about customers and switch them without their consent. Distribution companies will incur not only customers' wrath from the unlawful switching and information leak, but will also incur costs detecting and correcting this fraud.

Accordingly, Mass. Electric recommends that if the Department decides that customer account numbers should be released, it set forth specific rules that would

protect both customers and distribution companies from improper use of account numbers.

As to the first four characters of a customer's account name, the use of this information is a way for the distribution company and the supplier to be sure that the supplier is enrolling the proper account. Mass. Electric recognizes that there are many variations in the way account names are identified, and that this poses problems for a supplier trying to enroll customers. For example, different branches of the same chain store may have variations in their account name. The Company recommends that the decision on the first four characters of the customer's account name be part of a broader decision on the best way to ensure proper processing and what to do with accounts that have been enrolled incorrectly

C. Customer Information List issues:

Should the Customer Information Lists be expanded to include information about customer service delivery points?

2. Should the Customer Information Lists be expanded to include information about customers who receive generation service from competitive suppliers?

Mass. Electric is not opposed to providing information about customer service delivery points, which the Company understands to be a description of whether delivery service is metered at the Company's supply line voltage, in no case less than 2,400 volts. In addition, Mass. Electric is not opposed to including information about customers who receive service from competitive suppliers, although Mass. Electric recommends that this information not include the identification of the current competitive supplier. Mass.

Electric notes, however, that the purpose of the lists was to jump-start the market, not to provide a means for competitive suppliers to market to one another's customers.

D. Other issues:

1 Should distribution companies use the Internet for the transmission of customer data between the companies and competitive suppliers? Please discuss any benefits and costs of Internet use.

The Company supports use of the Internet for the transmission of customer data between the companies and competitive suppliers, provided there is a cost savings to be realized, and provided the replacement solution assures levels of service and reliability equivalent to the current Value Added Network ("VAN") standard. Whether an Internet solution would be less expensive and provide equivalent service and reliability is not clear. As discussed in more detail below, Mass. Electric recommends that the EBT Working Group thoroughly review all options and provide a recommendation to the Department.

The objective for the business transaction communication process is the reliable, accurate, timely, and secure transfer of market transactions. The EBT Working Group recommended, and the Department approved, adoption of VAN services as the standard for customer data transmission at the outset of the competitive electricity market in Massachusetts in March, 1998 because they offered highly reliable data transmission, plus a number of value added services such as audit trails, archiving of data, security, and computer platform independence. The EBT Working Group considered Internet Data Transport ("IDT") at the time, but there was a lack of established vendor-independent

standards and protocols for use of the Internet for such communications, and the EBT Working Group wished to avoid proprietary solutions.

In more than three years since customer choice was initiated, the use of the Internet for such data communications has advanced substantially, and it is now possible to select among several standards for IDT. Many vendors offer interoperating solutions competitively. The IDT standard being used most widely at present to support customer choice transactions in electricity deregulation is the Gas Industry Standards Board Electronic Delivery Mechanism (“G.I.S.B. EDM”). This is a specification developed by the Gas Industry Standards Board and mandated by the Federal Energy Regulatory Commission for transmission of gas industry transactions. It is presently in use or specified for use in a number of deregulated electricity markets, including Pennsylvania,

York, Ohio, and New Jersey. The G. S.B. EDM sets strong specifications for transaction security, reliability, and delivery acknowledgement, and would serve as a viable alternative to VAN services.

While the G.I.S.B. EDM is the prevailing Internet standard in electricity deregulation, there are other alternatives available and in use in other market areas. Mass. Electric recommends that the EBT Working Group fully review all of the alternatives and their requirements and associated costs and benefits prior to determining a change from the VAN to a new protocol and any associated implementation timetable. The EBT Working Group should also take care to specify a technology or protocol that is practical to implement currently, and can also be extended, modified, or replaced as newer technologies evolve. In the end, the EBT Working Group should provide the Department with a recommendation for an IDT protocol and implementation options that

reflect the consensus of the Working Group stakeholders. As with the current VAN transport specification, the change to an IDT solution, if any, should not preclude bilateral data transport agreements between parties exchanging data, provided the alternative transport method meets or exceeds the security and reliability criteria required for the IDT solution.

Established VAN providers are beginning to offer their data transport services using the Internet as the physical network, with pricing structures lower than the VAN communications currently in use. It is possible that continuing competitive forces could reduce or eliminate the expected cost differences between VAN and IDT services in the foreseeable future. With lower costs as a major objective of any changes to the present structure, the EBT Working Group should study all alternatives. Mass. Electric notes that The distribution companies have already spent a significant amount of money to set up the VAN network, and switching to IDT will necessarily have incremental costs.

III. CONCLUSION

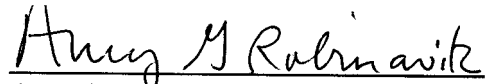
The Company commends the Department for the steps that it has taken to promote competition in electric supply. The Company believes that the Department's directives will produce increased participation in the marketplace, and recommends that the Department and other parties carefully monitor the results of these directives over time. As set forth in these comments, there are several other ideas which merit careful and deliberate study and consideration, and the Company recommends that this occur.

The Company appreciates the opportunity to provide these comments.

Respectfully submitted,

**MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY**

By their Attorney,

A handwritten signature in cursive script, reading "Amy G. Rabinowitz", written in black ink.

Amy G. Rabinowitz

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